

**Ahli United Bank B.S.C.**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**30 June 2017**

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF  
AHLI UNITED BANK B.S.C.**

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Ahli United Bank B.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2017, comprising of the interim consolidated balance sheet as at 30 June 2017 and the related interim consolidated statements of income, comprehensive income, changes in equity and condensed cash flows for the six-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



30 July 2017  
Manama, Kingdom of Bahrain

# Ahli United Bank B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF INCOME

Six months ended 30 June 2017 (Reviewed)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>Note</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Interest income	329,121	327,537	646,384	644,241
Interest expense	117,191	121,385	230,335	236,805
Net interest income	211,930	206,152	416,049	407,436
Fees, commissions and others	43,445	59,760	80,573	96,129
Trading income	9,440	6,747	17,155	21,999
Investment income	3 11,789	17,698	36,056	43,501
Fees and other income	64,674	84,205	133,784	161,629
<b>OPERATING INCOME</b>	<b>276,604</b>	<b>290,357</b>	<b>549,833</b>	<b>569,065</b>
Net provision for loan losses and others	24,581	42,086	36,799	44,640
Provision for investments	1,184	700	1,184	6,200
<b>NET OPERATING INCOME</b>	<b>250,839</b>	<b>247,571</b>	<b>511,850</b>	<b>518,225</b>
Staff costs	47,084	48,180	92,739	96,470
Depreciation	4,880	5,307	9,476	11,347
Other operating expenses	24,942	25,977	49,184	48,787
<b>OPERATING EXPENSES</b>	<b>76,906</b>	<b>79,464</b>	<b>151,399</b>	<b>156,604</b>
<b>PROFIT BEFORE TAX</b>	<b>173,933</b>	<b>168,107</b>	<b>360,451</b>	<b>361,621</b>
Tax expense	9,834	8,375	21,180	27,533
<b>NET PROFIT FOR THE PERIOD</b>	<b>164,099</b>	<b>159,732</b>	<b>339,271</b>	<b>334,088</b>
Net profit attributable to non-controlling interest	12,214	13,140	27,961	32,891
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK</b>	<b>151,885</b>	<b>146,592</b>	<b>311,310</b>	<b>301,197</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE BANK FOR THE PERIOD</b>				
Basic & diluted earnings per ordinary share (US cents)	4 1.8	1.8	3.9	3.8



Hamad M. Al-Humaidhi  
Chairman



Mohammad J. Al-Marzooq  
Deputy Chairman



Adel A. El-Labban  
Group Chief Executive Officer  
& Managing Director

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2017 (Reviewed)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
<b>Net profit for the period</b>	<b>164,099</b>	<b>159,732</b>	<b>339,271</b>	<b>334,088</b>
<b>Other comprehensive income (OCI)</b>				
<b>Items that will not be reclassified to consolidated statement of income</b>				
Net change in fair value of financial assets measured at fair value through OCI	(3,289)	(817)	(2,939)	(3,518)
Net change in pension fund reserve	1,348	(9,127)	4,286	(13,525)
Net change in property revaluation reserve	-	-	(269)	-
<b>Items that may be reclassified subsequently to consolidated statement of income</b>				
Foreign currency translation adjustments	6,955	5,724	17,310	(56,432)
Net change in fair value of cash flow hedges	(4,468)	(8,672)	(5,120)	(21,872)
<b>Other comprehensive income for the period</b>	<b>546</b>	<b>(12,892)</b>	<b>13,268</b>	<b>(95,347)</b>
<b>Total comprehensive income for the period</b>	<b>164,645</b>	<b>146,840</b>	<b>352,539</b>	<b>238,741</b>
Total comprehensive income attributable to non-controlling interest	12,799	14,003	30,984	26,045
<b>Total comprehensive income attributable to owners of the Bank</b>	<b>151,846</b>	<b>132,837</b>	<b>321,555</b>	<b>212,696</b>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

# Ahli United Bank B.S.C.

## INTERIM CONSOLIDATED BALANCE SHEET

30 June 2017 (Reviewed)

	30 June 2017	(Audited) 31 December 2016
	US\$ '000	US\$ '000
<b>ASSETS</b>		
Cash and balances with central banks	1,017,305	912.924
Treasury bills and deposits with central banks	2,391,311	2,464.846
Deposits with banks	2,234,516	1,884.493
Loans and advances	19,141,134	18,606.883
Non-trading investments	5,724,431	5,570.447
Investment in associates	324,060	326.874
Investment properties	162,242	132.021
Premises and equipment	220,133	211,209
Interest receivable and other assets	670,843	738.155
Goodwill and other intangible assets	477,281	474.632
<b>TOTAL ASSETS</b>	<b>32,363,256</b>	<b>31,322.484</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Deposits from banks	3,451,566	3,279.038
Borrowings under repurchase agreements	714,961	698.228
Customers' deposits	22,501,789	21,703.358
Interest payable and other liabilities	908,571	865.376
Subordinated liabilities	226,114	236.982
<b>TOTAL LIABILITIES</b>	<b>27,803,001</b>	<b>26,782.982</b>
<b>EQUITY</b>		
Ordinary share capital	1,889,213	1,711.322
Treasury shares	(11,497)	(11,497)
Reserves	1,629,674	1,801.002
Equity attributable to the owners	3,507,390	3,500.827
Perpetual Tier 1 Capital Securities	600,000	600.000
Non-controlling interest	452,865	438.675
<b>TOTAL EQUITY</b>	<b>4,560,255</b>	<b>4,539.502</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>32,363,256</b>	<b>31,322.484</b>



**Hamad M. Al-Humaidhi**  
Chairman



**Mohammad J. Al-Marzooq**  
Deputy Chairman



**Adel A. El-Labban**  
Group Chief Executive Officer  
& Managing Director

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

Ahli United Bank B.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2017 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Net cash from (used in) operating activities	641,216	(1,153,911)
Net cash used in investing activities	(175,440)	(417,944)
Net cash used in financing activities	(319,936)	(310,255)
Net foreign exchange difference	14,882	(40,316)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>160,722</b>	<b>(1,922,426)</b>
Cash and cash equivalents at 1 January	2,309,113	3,940,640
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>2,469,835</b>	<b>2,018,214</b>
<b>Comprising:</b>		
Cash and balances with central banks, excluding mandatory reserve deposits	881,404	852,529
Deposits with banks with an original maturity of three months or less	1,588,431	1,165,685
	<b>2,469,835</b>	<b>2,018,214</b>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

# Ahli United Bank B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2017 (Reviewed)

	Attributable to the owners										
	Ordinary share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 7) US\$ '000	Total reserves US\$ '000	Perpetual Tier 1 Capital Securities US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2016	1,711,322	(11,497)	747,583	454,856	791,395	310,144	(502,976)	1,801,002	600,000	438,675	4,539,502
Donations	-	-	-	-	-	(1,000)	-	(1,000)	-	-	(1,000)
Bonus shares issued	171,747	-	-	-	(171,747)	-	-	(171,747)	-	-	-
Additional shares issued	6,144	-	6,373	-	-	-	-	6,373	-	-	12,517
Transfer from OCI reserve	-	-	-	-	(1,972)	-	-	(1,972)	-	-	(1,972)
Distribution related to Perpetual Tier 1 Capital Securities	-	-	-	-	(13,750)	-	-	(13,750)	-	-	(13,750)
Distribution related to Perpetual Tier 1 Sukuk	-	-	-	-	(4,120)	-	-	(4,120)	-	(1,380)	(5,500)
Ordinary share dividend paid	-	-	-	-	733	(309,144)	-	(308,411)	-	-	(308,411)
Dividends of subsidiary	-	-	-	-	-	-	-	-	-	(15,414)	(15,414)
Fair value amortisation of share based transactions	-	-	-	-	-	-	1,744	1,744	-	-	1,744
Total comprehensive income for the period	-	-	-	-	311,310	-	10,245	321,555	-	30,984	352,539
<b>Balance at 30 June 2017</b>	<b>1,889,213</b>	<b>(11,497)</b>	<b>753,956</b>	<b>454,856</b>	<b>911,849</b>	<b>-</b>	<b>(490,987)</b>	<b>1,629,674</b>	<b>600,000</b>	<b>452,865</b>	<b>4,560,255</b>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements

# Ahli United Bank B.S.C.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2017 (Reviewed)

Attributable to the owners

Reserves

	Ordinary share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Statutory reserve US\$ '000	Retained earnings US\$ '000	Proposed appropriations US\$ '000	Other reserves (note 7) US\$ '000	Total reserves US\$ '000	Perpetual Tier 1 Capital Securities US\$ '000	Non-controlling interest US\$ '000	Total US\$ '000
Balance at 31 December 2015	1,623,030	(7,309)	739,781	397,792	694,312	294,099	(223,968)	1,902,016	400,000	442,477	4,360,214
Donations	-	-	-	-	-	(1,000)	-	(1,000)	-	-	(1,000)
Bonus shares issued	81,417	-	-	-	(81,417)	-	-	(81,417)	-	-	-
Additional shares issued	5,300	-	5,724	-	-	-	-	5,724	-	-	11,024
Purchase of treasury shares	-	(4,188)	-	-	-	-	-	-	-	-	(4,188)
Transfer from OCI reserve	-	-	-	-	(1,777)	-	-	(1,777)	-	-	(1,777)
Ordinary share dividend paid	-	-	-	-	698	(293,099)	-	(292,401)	-	-	(292,401)
Distribution related to Perpetual Tier 1 Capital Securities	-	-	-	-	(13,750)	-	-	(13,750)	-	-	(13,750)
Dividends of subsidiary	-	-	-	-	-	-	-	-	-	(5,892)	(5,892)
Fair value amortisation of share based transactions	-	-	-	-	-	-	2,072	2,072	-	-	2,072
Total comprehensive income for the period	-	-	-	-	301,197	-	(88,501)	212,696	-	26,045	238,741
<b>Balance at 30 June 2016</b>	<b>1,709,747</b>	<b>(11,497)</b>	<b>745,505</b>	<b>397,792</b>	<b>899,263</b>	<b>-</b>	<b>(310,397)</b>	<b>1,732,163</b>	<b>400,000</b>	<b>462,630</b>	<b>4,293,043</b>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements



## Ahli United Bank B.S.C.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

#### **1 CORPORATE INFORMATION**

The parent company, Ahli United Bank B.S.C. ("AUB" or "the Bank") was incorporated in the Kingdom of Bahrain on 31 May 2000 originally as a closed company and changed on 12 July 2000 to a public shareholding company by Amiri Decree number 16/2000. The Bank and its subsidiaries (collectively known as "the Group") are engaged in retail, commercial, islamic and investment banking business, global fund management, private banking services and life insurance business through 109 branches, as at 30 June 2017, in the Kingdom of Bahrain (22 branches), the State of Kuwait (37 branches), the Arab Republic of Egypt (37 branches), Republic of Iraq (11 branches), Dubai International Financial Centre (Authorised Firm) and the United Kingdom (1 branch). It also operates through its managed associates in the Sultanate of Oman (20 branches) and Libya (11 branches) with a total network of 31 branches as at 30 June 2017. The Bank operates under a retail banking licence issued by the Central Bank of Bahrain. The Bank's registered office is located at Building 2495, Road 2832, Al Seef District 428, Kingdom of Bahrain.

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors dated 30 July 2017.

#### **2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The interim condensed consolidated financial statements of the Bank and the Group are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34").

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments and annual improvements to International Financial Reporting Standards (IFRSs), relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

#### **3 OTHER OPERATING INCOME**

Other operating income includes income amounting to US\$ 7,013 thousand for the six months ended 30 June 2017 (30 June 2016: US\$ 8,357 thousand) which is of a seasonal nature.

## Ahli United Bank B.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

#### 4 EARNINGS PER ORDINARY SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Net profit for the period attributable to Bank's ordinary equity shareholders for basic and diluted earnings per share computation (US\$ '000)	<b>151,885</b>	146,592	<b>311,310</b>	301,197
(Less): Perpetual Tier 1 Capital Securities distribution	<b>(13,750)</b>	(13,750)	<b>(13,750)</b>	(13,750)
(Less): Perpetual Tier 1 Sukuk distribution	<b>(4,120)</b>	-	<b>(4,120)</b>	-
Adjusted net profit for the period attributable to Bank's ordinary equity shareholders for basic and diluted earnings per share computation	<b>134,015</b>	132,842	<b>293,440</b>	287,447
Weighted average ordinary shares outstanding during the period adjusted for bonus shares (in million)	<b>7,539</b>	7,505	<b>7,531</b>	7,502
Basic & diluted earnings per ordinary share (US cents)	<b>1.8</b>	1.8	<b>3.9</b>	3.8
Issued and fully paid ordinary shares of US\$ 0.25 each (in million)			<b>7,556.9</b>	6,839.0
Number of treasury shares (in million)			<b>17.9</b>	16.3

#### 5 CONTINGENT LIABILITIES

The Group had the following credit related contingent liabilities:

	<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Guarantees	<b>2,566,776</b>	2,443,017
Acceptances	<b>162,993</b>	132,119
Letters of credit	<b>631,745</b>	534,461
	<b>3,361,514</b>	3,109,597

#### 6 SEGMENT INFORMATION

For management reporting purposes the Group is organised into four major business segments:

- Retail banking
- Corporate banking
- Treasury and investments
- Private banking

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate, which approximates the cost of funds.

Ahli United Bank B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

6 SEGMENT INFORMATION (continued)

Segmental information for the period was as follows:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Treasury &amp; investments</i>	<i>Private banking</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Six months ended 30 June 2017:</b>					
Net interest income	21,756	296,179	72,805	25,309	416,049
Inter segment Interest	64,799	(83,606)	10,406	8,401	-
Fees, commissions and others	23,328	38,314	6,451	12,480	80,573
Trading and investment income	1,543	5,729	45,904	35	53,211
<b>OPERATING INCOME</b>	<b>111,426</b>	<b>256,616</b>	<b>135,566</b>	<b>46,225</b>	<b>549,833</b>
Net impairment provisions	4,030	32,630	1,184	139	37,983
<b>NET OPERATING INCOME</b>	<b>107,396</b>	<b>223,986</b>	<b>134,382</b>	<b>46,086</b>	<b>511,850</b>
Operating expenses	54,367	35,629	46,343	15,060	151,399
<b>PROFIT BEFORE TAX</b>	<b>53,029</b>	<b>188,357</b>	<b>88,039</b>	<b>31,026</b>	<b>360,451</b>
Tax expense					21,180
<b>NET PROFIT FOR THE PERIOD</b>					<b>339,271</b>
Less : Non - controlling interest					27,961
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK</b>					<b>311,310</b>
<b>Six months ended 30 June 2016:</b>					
Net interest income	9,908	282,281	89,440	25,807	407,436
Inter segment Interest	81,702	(86,454)	819	3,933	-
Fees, commissions and others	17,853	58,308	6,406	13,562	96,129
Trading and investment income	3,629	6,642	55,229	-	65,500
<b>OPERATING INCOME</b>	<b>113,092</b>	<b>260,777</b>	<b>151,894</b>	<b>43,302</b>	<b>569,065</b>
Net impairment provisions	5,193	40,834	6,200	(1,387)	50,840
<b>NET OPERATING INCOME</b>	<b>107,899</b>	<b>219,943</b>	<b>145,694</b>	<b>44,689</b>	<b>518,225</b>
Operating expenses	57,211	38,409	44,368	16,616	156,604
<b>PROFIT BEFORE TAX</b>	<b>50,688</b>	<b>181,534</b>	<b>101,326</b>	<b>28,073</b>	<b>361,621</b>
Tax expense					27,533
<b>NET PROFIT FOR THE PERIOD</b>					<b>334,088</b>
Less : Non-controlling interest					32,891
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE BANK</b>					<b>301,197</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

## 7 MOVEMENT IN OTHER RESERVES

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Total other reserves	
				OCI reserve	Cash flow hedge reserve	ESPP reserve		Pension fund reserve
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
Balance at 31 December 2016	8,480	36,256	(455,168)	(11,019)	(23,783)	-	(57,742)	(502,976)
Currency translation adjustments	-	3	13,707	-	-	-	-	13,710
Transfers to consolidated statement of income	-	-	-	-	(549)	-	-	(549)
Net fair value movements	-	-	-	(4,334)	(4,571)	-	-	(8,905)
Transfers to retained earnings	-	-	-	1,972	-	-	-	1,972
Fair value movements and others	-	-	-	-	-	1,744	4,286	6,030
Revaluation of freehold land	-	(269)	-	-	-	-	-	(269)
<b>Balance at 30 June 2017</b>	<b>8,480</b>	<b>35,990</b>	<b>(441,461)</b>	<b>(13,381)</b>	<b>(28,903)</b>	<b>1,744</b>	<b>(53,456)</b>	<b>(490,987)</b>

  

	Capital reserve	Property revaluation reserve	Foreign exchange translation reserve	Cumulative changes in			Total other reserves	
				OCI reserve	Cash flow hedge reserve	ESPP reserve		Pension fund reserve
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
Balance at 31 December 2015	8,480	36,173	(194,342)	(16,568)	(28,048)	12,587	(42,250)	(223,968)
Currency translation adjustments	-	2	(49,464)	-	-	-	-	(49,462)
Transfers to consolidated statement of income	-	-	-	-	(324)	-	-	(324)
Net fair value movements	-	-	-	(5,419)	(21,548)	-	-	(26,967)
Transfers to retained earnings	-	-	-	1,777	-	-	-	1,777
Fair value movements and others	-	-	-	-	-	2,072	(13,525)	(11,453)
<b>Balance at 30 June 2016</b>	<b>8,480</b>	<b>36,175</b>	<b>(243,806)</b>	<b>(20,210)</b>	<b>(49,920)</b>	<b>14,659</b>	<b>(55,775)</b>	<b>(310,397)</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

**8 FAIR VALUE MEASUREMENT**

The fair value of financial assets and financial liabilities, with the exception of non-trading investments that are carried at amortised cost, approximate their carrying values. The fair value of the non-trading investments held at amortised cost is US\$ 5,734.5 million as at 30 June 2017 (31 December 2016: US\$ 5,563.8 million). Carrying value of these non-trading investments is US\$ 5,593.6 million as at 30 June 2017 (31 December 2016: US\$ 5,429.6 million).

The Group's primary medium and long-term financial liabilities are the subordinated liabilities. The fair values of these financial liabilities are not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:-

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 : Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 : Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	<i>30 June 2017</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Equity instruments and funds at fair value	469	116,242	14,129	130,840
Derivative assets	-	70,950	-	70,950
Derivative liabilities	-	(159,417)	-	(159,417)
	<i>31 December 2016</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Equity instruments and funds at fair value	465	126,360	14,044	140,869
Derivative assets	-	112,945	-	112,945
Derivative liabilities	-	(142,547)	-	(142,547)

During six month period ended 30 June 2017 and 30 June 2016 there have been no transfers between Levels 1, 2 and 3.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

## 9 RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, associates, directors, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business at arm's length. All the loans and advances to related parties are performing and are free of any provision for possible loan losses.

The income, expense and the period end balances in respect of related parties included in the interim consolidated financial statements were as follows:

	2017					
	US\$ '000					
	Major shareholders	Associates	Non Executive Directors	Senior management		Total
Management Directors				Others		
<i>For the six months ended 30 June 2017</i>						
Interest income	63	1,683	3,515	123	28	5,412
Interest expense	53,205	5	22	34	-	53,266
Fees and commissions	109	1,959	161	4	4	2,237
Short term employee benefits	-	-	-	5,547	1,997	7,544
End of service benefits	-	-	-	840	114	954
Directors' fees and related expenses	-	-	1,155	-	-	1,155
<i>As of 30 June 2017</i>						
Deposits with banks	-	137,363	-	-	-	137,363
Loans and advances	-	-	150,830	7,763	2,098	160,691
Deposits from banks	-	5,970	-	-	-	5,970
Customers' deposits	6,741,463	-	29,448	11,926	1,012	6,783,849
Subordinated liabilities	208,117	-	-	-	-	208,117
Commitments and contingent liabilities	-	196,923	191,754	-	-	388,677
Derivative liability	-	359	-	-	-	359
2016						
US\$ '000						
	Major shareholders	Associates	Non Executive Directors	Senior management		Total
				Management Directors	Others	
<i>For the six months ended 30 June 2016</i>						
Interest income	1,306	1,566	3,318	118	25	6,333
Interest expense	42,204	9	21	41	-	42,275
Fees and commissions	293	1,591	151	3	4	2,042
Short term employee benefits	-	-	-	5,639	1,577	7,216
End of service benefits	-	-	-	826	98	924
Directors' fees and related expenses	-	-	1,104	-	-	1,104
<i>As of 31 December 2016</i>						
Deposits with banks	-	160,889	-	-	-	160,889
Loans and advances	110,500	-	151,604	13,055	2,282	277,441
Deposits from banks	-	5,692	-	-	-	5,692
Customers' deposits	6,193,804	-	17,536	6,609	32	6,217,981
Subordinated liabilities	218,985	-	-	-	-	218,985
Commitments and contingent liabilities	-	144,088	152,331	-	-	296,419